

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF ELKTON	County HURON
Fiscal Year End 2/28/07	Opinion Date 4-20-07	Date Audit Report Submitted to State 6-1-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

2
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.		Telephone Number 989-673-3137	
Street Address 715 E. FRANK ST		City Caro	State MI
		Zip 48723	
Authorizing CPA Signature <i>Gary R. Anderson CPA</i>	Printed Name Gary R. Anderson	License Number 1101005446	

VILLAGE OF ELKTON

REPORT ON FINANCIAL STATEMENTS
(With Additional Information)

February 28, 2007

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	I - VII
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
<i>Statement of Net Assets</i>	1
<i>Statement of Activities</i>	2
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	3
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i>	4
<i>Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance</i>	5
<i>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities</i>	6
Enterprise Funds	
<i>Combining Balance Sheet</i>	7
<i>Statement of Changes in Contribution in Aid of Construction</i>	8
<i>Combining Statement of Revenue, Expenses and Change in Net Assets</i>	9
<i>Combining Statement of Cash Flows</i>	10
<i>Notes to the Financial Statements</i>	11 - 20
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule - General Fund</i>	21
<i>Budgetary Comparison Schedule - Major Street Fund</i>	22
<i>Budgetary Comparison Schedule - Local Street Fund</i>	23
<i>Budgetary Comparison Schedule - Ambulance Fund</i>	24
<i>Budgetary Comparison Schedule - Water and Sewer Fund</i>	25

TABLE OF CONTENTS (Continued)

	<u>PAGE NUMBER</u>
ADDITIONAL INFORMATION	
Nonmajor Governmental Fund Types:	
Combining Balance Sheet - Debt Service Fund and Capital Project Fund	26
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Fund and Capital Project Fund	27
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	28
Special Revenue Funds	
Combining Balance Sheet	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	30
Major Street Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	31
Local Street Fund - Statement of Revenues, Expenditures and Changes in Fund Balance	32
General Fund - Schedule of Revenue	33
General Fund - Schedule of Expenditures	34 - 37
Ambulance Fund - Schedule of Revenue and Expenditures	38
Water and Sewer Fund - Schedule of Revenue and Expenditures	39
Major Street Fund - Schedule of Expenditures	40
Local Street Fund - Schedule of Expenditures	41
Schedule of Bonded Debt	42
Pension Plan - Required Supplemental Information	43

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

April 20, 2007

INDEPENDENT AUDITOR'S REPORT

Honorable Village Council
Village of Elkton
Elkton, Michigan 48731

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Elkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Elkton, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through VII and 21 through 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Elkton's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Our discussion and analysis of the Village of Elkton's financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2007. Please read it in conjunction with the Village's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2007:

- The fund balance in the General Fund increased from \$638,328 to \$661,831
- State-shared revenue, the Village's second largest General Fund revenue source, was reduced by the State of Michigan by \$802 representing a 1% decrease from the prior fiscal year. However, the \$99,674 received from the State of Michigan was below the budgeted projection by \$419.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,189,651	\$(39,557)	\$1,150,094
Noncurrent assets	876,106	1,520,311	2,396,417
Total assets	2,065,757	1,480,754	3,546,511
Current liabilities	10,399	38,941	49,340
Long-term liabilities	24,107	626,418	650,525
Total liabilities	34,506	665,359	699,865
Net assets:			
Invested in capital assets -			
Net of related debt		109,835	109,835
Contributed capital		46,731	46,731
Restricted	79,676		79,676
Unrestricted		658,829	658,829
Fund Balance			
Undesignated	946,972		946,972
Designated	1,004,603		1,004,603
Total net assets	\$ 2,031,251	\$ 815,395	\$ 2,846,646

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations ended the fiscal year with a balance of \$946,972 in the governmental activities.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The Village as a Whole

The following table shows, in a condensed format, the net assets as of 02/28/06 were:

	Governmental Activities	Business-Type Activities	Total
Current assets	\$ 1,348,849	\$235,572	\$1,584,421
Noncurrent assets	813,226	1,634,265	2,447,491
Total assets	<u>2,162,075</u>	<u>1,869,837</u>	<u>4,031,912</u>
Current liabilities	226,557	266,999	493,556
Long-term liabilities	27,245	730,000	757,245
Total liabilities	<u>253,802</u>	<u>996,999</u>	<u>1,250,801</u>
Net assets:			
Invested in capital assets -			
Net of related debt		121,553	121,553
Contributed capital		46,731	46,731
Restricted	57,565		57,565
Unrestricted		704,554	704,554
Fund Balance			
Undesignated	936,747		936,747
Designated	913,961		913,961
Total net assets	<u>\$ 1,908,273</u>	<u>\$ 872,838</u>	<u>\$ 2,781,111</u>

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets during the current year:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year - (as adjusted)	\$ 1,908,273	\$ 704,554	\$ 2,612,827
Revenue			
Program revenue:			
Charges for services	116,706	175,561	292,267
Operating grants and contributions			
General revenue:			
Property taxes	389,228		389,228
Intergovernmental revenue	159,249		159,249
Investment earnings	6,085	1,448	7,533
Miscellaneous	12,066	70,194	82,260
Net transfers	10,000	(10,000)	0
Sale of Lots	10,525		10,525
Total revenue	703,859	237,203	941,062
Program Expenses			
General government	195,363		195,363
Road maintenance and repair	71,953		71,953
Public safety	131,996		131,996
Public works	126,436		126,436
Culture and recreation	34,303		34,303
Ambulance		92,272	92,272
Water & sewer		190,656	190,656
Depreciation	55,827		55,827
Interest on long-term debt			
Total expenses	615,878	282,928	898,806
Change in Net Assets	122,978	(45,725)	77,253
Net Assets - End of Year	\$ 2,031,251	\$ 658,829	\$ 2,690,080

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes of the net assets for the year ended 02/28/06:

	Governmental Activities	Business-Type Activities	Total
Net Assets - Beginning of year - (as adjusted)	\$ 1,792,736	\$ 702,010	\$ 2,494,746
Revenue			
Program revenue:			
Charges for services	76,586	236,938	313,524
Operating grants and contributions			
General revenue:			
Property taxes	379,757		379,757
Intergovernmental revenue	160,722		160,722
Investment earnings	3,710	1,445	5,155
Miscellaneous	53,303	26,496	79,799
Net transfers	10,000	(10,000)	0
Sale of Lots	4,500		4,500
Total revenue	688,578	254,879	943,457
Program Expenses			
General government	173,154		173,154
Road maintenance and repair	54,904		54,904
Public safety	129,311		129,311
Public works	137,197		137,197
Culture and recreation	29,842		29,842
Ambulance		104,880	104,880
Water & sewer		147,455	147,455
Depreciation	47,391		47,391
Interest on long-term debt			
Total expenses	571,799	252,335	824,134
Change in Net Assets	116,779	2,544	119,323
Add beginning balance – Cemetery Fund	25,156		25,156
Correction to beginning fixed assets	(26,398)		(26,398)
Net Assets - End of Year	\$ 1,908,273	\$ 704,554	\$ 2,612,827

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

Business-type Activities

The Village's business-type activities consist of the Water and Sewer Funds and the Ambulance Fund. The Village provides water to residents from ground water wells. Sewage treatment is provided through a Village-owned and operated sewage treatment plant. The Village operated an Ambulance Service for residents in the local area and receives subsidies from four adjoining townships.

The Water and Sewer Fund had a net loss of \$49,740, and its cash flow increased by \$229. Revenues for the fund were down about 8 %. The Ambulance Fund had net income of \$4,015, and its cash flow increased by over \$6,541.

The Village's Funds

Our analysis of the Village's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for the current year include the General, Major Street and Trunkline, Local Street and Refuse Funds.

The General Fund pays for most of the Village's governmental services. The most significant are Administration, Police Department, and Public Works, which incurred expenses of approximately \$428,754 in the current fiscal year. These costs and the remaining \$97,479 cost of the other General Fund departments are funded by real and personal property taxes and other general revenue sources of the General Fund.

VILLAGE OF ELKTON, MICHIGAN

Management's Discussion and Analysis

General Fund Budgetary Highlights

Overall, revenues in the General Fund fell short of budget by \$46,871.

Village departmental expenses in the General Fund overall spent less than budget projections by \$2,871.

Capital Asset and Debt Administration

As of February 28, 2007, the Village had a total of approximately \$2,396,417 (net of depreciation) invested in a broad range of capital assets, including roads, buildings, equipment, and water and sewer lines.

Debt service makes up approximately 5% of the total governmental expenditures

More detailed information concerning capital assets and long-term debt can be found in Notes 8 and 11, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In preparing 2007-2008 budget, the village expects similar activity levels to 2006-2007. State shared revenues have been consistently declining in recent years, and this trend is expected to continue. Other revenues are expected to be consistent with the 2006-2007 fiscal year.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the village's office.

BASIC FINANCIAL STATEMENTS

VILLAGE OF ELKTON
STATEMENT OF NET ASSETS
February 28, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash	\$ 1,004,274	\$ 96,679	\$ 1,100,953
Accounts receivable	9,999	11,526	21,525
Internal balances	147,762	(147,762)	-
Due from other units	27,616		27,616
Total current assets	1,189,651	(39,557)	1,150,094
Noncurrent assets:			
Capital assets, net of depreciation	876,106	1,520,311	2,396,417
<u>TOTAL ASSETS</u>	<u>\$ 2,065,757</u>	<u>\$ 1,480,754</u>	<u>\$ 3,546,511</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 9,726		\$ 9,726
Customer deposits payable		\$ 8,941	8,941
Current maturities on long-term debt		30,000	30,000
Due to other units	673		673
Total current liabilities	10,399	38,941	49,340
Noncurrent liabilities:			
Noncurrent portion of long-term debt		626,418	626,418
Accumulated compensated absences	24,107		24,107
Total noncurrent liabilities	24,107	626,418	650,525
TOTAL LIABILITIES	34,506	665,359	699,865
NET ASSETS			
Contributions in aid of construction		109,835	109,835
Contributed capital		46,731	46,731
Restricted for:			
Capital projects	79,676		79,676
Unrestricted		658,829	658,829
Fund balance:			
Undesignated	946,972		946,972
Designated	1,004,603		1,004,603
TOTAL NET ASSETS	2,031,251	815,395	2,846,646
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 2,065,757</u>	<u>\$ 1,480,754</u>	<u>\$ 3,546,511</u>

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues		
		Charges for	Operating	Primary Government		Total
		Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 195,363	\$ 29,582		\$ (165,781)	-	\$ (165,781)
Road maintenance and repair	71,953			(71,953)	-	(71,953)
Public safety	131,996	87,124	\$ 34,997	(9,875)	-	(9,875)
Public works	126,436			(126,436)	-	(126,436)
Culture and recreation	34,303			(34,303)	-	(34,303)
Depreciation	55,827			(55,827)	-	(55,827)
Total governmental activities	615,878	116,706	34,997	(464,175)	-	(464,175)
Business-type activities:						
Ambulance	92,272	78,426			\$ (13,846)	(13,846)
Water & sewer	190,656	142,330			(48,326)	(48,326)
Total primary government	\$898,806	\$ 337,462	\$ 34,997	\$ (464,175)	(62,172)	(526,347)

General revenues:

Taxes:			
Property taxes, levied for general purposes	\$ 315,307		\$ 315,307
Property taxes, levied for streets and sanitation purposes	73,921		73,921
Intergovernmental revenue	159,249		159,249
Investment earnings	6,085	\$ 1,448	7,533
Miscellaneous	12,066	24,999	37,065
Sale of Lots	10,525		10,525
Net transfers	10,000	(10,000)	-
Total general revenues and transfers	587,153	16,447	603,600
Change in net assets	122,978	(45,725)	77,253
Net assets - beginning	1,908,273	704,554	2,612,827
Net assets - ending	\$ 2,031,251	\$ 658,829	\$ 2,690,080

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2007

	<u>GENERAL</u>	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 357,254	\$ 186,263	\$ 278,627	\$ 122,579	\$ 944,723
Accounts receivable	9,999				9,999
Due from other funds	637,833		15,500	30,025	683,358
Due from other units	16,858	7,927	2,831		27,616
TOTAL ASSETS	<u>\$ 1,021,944</u>	<u>\$ 194,190</u>	<u>\$ 296,958</u>	<u>\$ 152,604</u>	<u>\$ 1,665,696</u>
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable		\$ 4,863	\$ 4,863		\$ 9,726
Customer deposits payable					
Due to other funds	\$ 359,440	110,826	85,455		555,721
Due to other units	673				673
Total Liabilities	<u>360,113</u>	<u>115,689</u>	<u>90,318</u>	<u>-</u>	<u>566,120</u>
Fund equity:					
Contributed capital					
Contributions in aid of construction					
Retained earnings:					
Reserved					
Unreserved					
Fund balance:					
Undesignated	661,831	78,501	206,640		946,972
Designated				\$ 152,604	152,604
Total Fund Equity	<u>661,831</u>	<u>78,501</u>	<u>206,640</u>	<u>152,604</u>	<u>1,099,576</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,021,944</u>	<u>\$ 194,190</u>	<u>\$ 296,958</u>	<u>\$ 152,604</u>	<u>\$ 1,665,696</u>

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET and
STATEMENT OF NET ASSETS
February 28, 2007

	Modified Accrual Basis	Reconciling Items			Full Accrual Basis
	TOTAL GOVERNMENTAL FUNDS	CAPITAL ASSETS & LONG TERM DEBT	COMPENSATED ABSENCES	INTERNAL SERVICE FUNDS	TOTAL
<u>ASSETS</u>					
Cash	\$ 944,723			\$ 59,551	\$ 1,004,274
Accounts receivable	9,999				9,999
Prepaid expenses					-
Due from other funds	683,358			20,125	703,483
Due from other units	27,616				27,616
Total Current Assets	1,665,696	-	-	79,676	1,745,372
Construction in progress					-
Capital assets:					
Land					-
Depreciable capital assets		\$ 1,701,387			1,701,387
Less: Accumulated Depreciation		(825,281)			(825,281)
Total Non-Current Assets	-	876,106	-	-	876,106
TOTAL ASSETS	\$ 1,665,696	\$ 876,106	\$ -	\$ 79,676	\$ 2,621,478
<u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 9,726				\$ 9,726
Accrued salaries & wages					-
Accrued interest payable					-
Due to other funds	555,721			-	555,721
Due to other units	673				673
Deferred revenue					-
Accumulated compensated absences			\$ 24,107		24,107
Total Liabilities	566,120	-	24,107	-	590,227
Fund Balances:					
Contributed capital					
Reserved for:					
Capital projects				\$ 79,676	79,676
Fund balance:					
Undesignated	946,972				946,972
Designated	152,604	876,106	(24,107)		1,004,603
Total Fund Balances/Net Assets	1,099,576	876,106	(24,107)	79,676	2,031,251
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,665,696	\$ 876,106	\$ -	\$ 79,676	\$ 2,621,478

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL UNITS
FOR THE YEAR ENDED FEBRUARY 28, 2007

				OTHER GOVERNMENTAL	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT
	GENERAL	MAJOR STREET	LOCAL STREET		
REVENUES:					
Taxes	\$ 315,307		\$ 73,921		\$ 389,228
Intergovernmental revenue:					-
Gas & weight tax		\$ 43,895	15,680		59,575
State	99,674				99,674
Charges for services	72,023				72,023
Police	44,683				44,683
Miscellaneous	38,049	2,750	6,139	\$ 14,624	61,562
TOTAL REVENUE	569,736	46,645	95,740	14,624	726,745
EXPENDITURES:					
Legislative	105,330				105,330
Elections	-				-
Village buildings & grounds	29,995				29,995
Police department	166,993				166,993
Cemetery	14,310				14,310
Public works department	126,436				126,436
Recreation department	34,303				34,303
Equipment department	48,866				48,866
Streets		37,410	118,253		155,663
Miscellaneous					-
TOTAL EXPENDITURES	526,233	37,410	118,253	-	681,896
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	43,503	9,235	(22,513)	14,624	44,849
OTHER FINANCING SOURCES (USES):					
Operating transfers in		-	10,500	10,000	20,500
Operating transfers out	(20,000)	(10,500)			(30,500)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(10,500)	10,500	10,000	(10,000)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	23,503	(1,265)	(12,013)	24,624	34,849
FUND BALANCE - March 1	638,328	79,766	218,653	127,980	1,064,727
FUND BALANCE - February 28	\$ 661,831	\$ 78,501	\$ 206,640	\$ 152,604	\$ 1,099,576

The accompanying footnotes are an integral part of the financial statements.

VILLAGE OF ELKTON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007

Net change in fund balances - total governmental funds	\$ 34,849
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives as depreciation expense	
Depreciation expense	(55,827)
Capital outlay	118,707
Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued absences at the beginning of the year	27,245
Accrued absences at the end of the year	(24,107)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance, motor pool, central services, and retirees health care, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	22,111
Change in net assets of governmental activities	<u><u>\$ 122,978</u></u>

The accompanying footnotes are an integral part of the financial statements

VILLAGE OF ELKTON, MICHIGAN
PROPRIETARY FUND TYPE
COMBINING BALANCE SHEET
February 28, 2007

	ENTERPRISE			TOTALS	
	AMBULANCE FUND	WATER AND SEWER FUND	EQUIPMENT	2007	2006
<u>ASSETS</u>					
Cash	\$ 45,029	\$ 51,650	\$ 59,551	\$ 156,230	\$ 147,474
Accounts receivable - net	11,526			11,526	9,074
Due from other funds	172,255	265,121	20,125	457,501	136,589
Fixed assets	105,040	2,338,703		2,443,743	2,506,646
Less accumulated depreciation & amortization	(90,280)	(833,152)		(923,432)	(872,381)
TOTAL ASSETS	<u>\$ 243,570</u>	<u>\$ 1,822,322</u>	<u>\$ 79,676</u>	<u>\$ 2,145,568</u>	<u>\$ 1,927,402</u>
<u>LIABILITIES & NET ASSETS</u>					
Liabilities:					
Accounts payable					
Bonds payable		\$ 656,418		\$ 656,418	\$ 765,000
Due to other funds	\$ 131,525	453,613		585,138	224,032
Customer deposits payable		8,941		8,941	7,967
Total Liabilities	131,525	1,118,972	-	1,250,497	996,999
Net Assets:					
Contributed capital	46,731			46,731	46,731
Contributions in aid of construction		109,835		109,835	121,553
Net Assets:					
Reserved for specific purpose				-	-
Unreserved	65,314	593,515	\$ 79,676	738,505	762,119
Total Net Assets	112,045	703,350	79,676	895,071	930,403
TOTAL LIABILITIES & NET ASSETS	<u>\$ 243,570</u>	<u>\$ 1,822,322</u>	<u>\$ 79,676</u>	<u>\$ 2,145,568</u>	<u>\$ 1,927,402</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER & SEWER FUND
STATEMENT OF CHANGES IN CONTRIBUTIONS IN
AID OF CONSTRUCTION
FOR THE YEAR ENDED FEBRUARY 28, 2007

	YEAR ENDED	
	<u>2007</u>	<u>2006</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - MARCH 1	\$ 121,553	\$ 133,271
LESS: Depreciation of fixed assets acquired from contributions in aid of construction	<u>(11,718)</u>	<u>(11,718)</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION - FEBRUARY 28	<u><u>\$ 109,835</u></u>	<u><u>\$ 121,553</u></u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
PROPRIETARY FUND TYPE
COMBINING STATEMENT OF REVENUE, EXPENSES
AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED FEBRUARY 28, 2007

	ENTERPRISE			TOTALS	
	AMBULANCE FUND	WATER AND SEWER FUND	Equipment	2007	2006
OPERATING REVENUE:					
Ambulance calls	\$ 78,426			\$ 78,426	\$ 91,685
Water & sewer system sales		\$ 97,135		97,135	100,263
Other services, charges & sales	16,642	4,772	\$ 125	21,539	23,774
Special Assessments Received		45,195		45,195	44,990
Interest & penalties		3,585		3,585	2,722
TOTAL OPERATING REVENUE	95,068	150,687	125	245,880	263,434
OPERATING EXPENSES:					
Salaries & wages	30,556	16,338		46,894	43,611
Employee benefits	5,662	9,528		15,190	14,206
Operating supplies	7,536	6,621		14,157	9,924
General fund administrative fee	1,000	3,000		4,000	4,000
Professional fees	6,365	7,199		13,564	20,604
Contracted services	-	2,845		2,845	1,452
Telephone	420	574		994	912
Insurance	5,823	5,823		11,646	13,059
Heat, light & power	-	8,558		8,558	8,256
Repairs & maintenance	2,622	70,527		73,149	24,506
Equipment rental	-	7,682		7,682	5,538
Dues & subscriptions	-	500		500	450
Advertising	133	-		133	101
Bond interest	-	14,588		14,588	14,579
Depreciation	8,756	30,576		39,332	40,904
Education & training	3,456	391		3,847	840
Capital outlay	1,016	590	-	1,606	3,965
Contractual write-off	-	-		-	-
Miscellaneous	18,927	5,316		24,243	45,428
TOTAL OPERATING EXPENSES	92,272	190,656	-	282,928	252,335
OPERATING INCOME (LOSS)	2,796	(39,969)	125	(37,048)	11,099
NON-OPERATING REVENUE (EXPENSES)					
Interest earned	1,219	229	1,986	3,434	2,661
TOTAL NON-OPERATING REVENUE (EXPENSES)	1,219	229	1,986	3,434	2,661
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	4,015	(39,740)	2,111	(33,614)	13,760
OPERATING TRANSFERS IN (OUT)	-	(10,000)	20,000	10,000	5,000
NET INCOME (LOSS)	4,015	(49,740)	22,111	(23,614)	18,760
NET ASSETS - MARCH 1	61,299	643,255	57,565	762,119	743,359
NET ASSETS - FEBRUARY 28	\$ 65,314	\$ 593,515	\$ 79,676	\$ 738,505	\$ 762,119

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 28, 2007

	<u>AMBULANCE FUND</u>	<u>WATER AND SEWER FUND</u>	<u>TOTALS</u>	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	\$ 4,015	\$ (49,740)	\$ (45,725)	\$ 2,544	
ADJUSTMENT TO RECONCILE NET INCOME TO CASH PROVIDED BY OPERATING ACTIVITIES:					
Depreciation and Amortization	8,756	30,576	39,332	40,904	
CHANGE IN CURRENT ASSETS AND LIABILITIES:					
(Increase) decrease in accounts receivable	(2,452)		(2,452)	7,227	
(Increase) decrease in due from other funds	(73,557)	(227,230)	(300,787)	(117,211)	
Increase (decrease) in bonds payable		(108,582)	(108,582)	(35,000)	
Increase (decrease) in due to other funds	69,779	291,327	361,106	133,518	
Increase (decrease) in customer deposits payable		975	975	450	
Purchase of fixed assets		62,903	62,903	(123,432)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,541</u>	<u>229</u>	<u>6,770</u>	<u>(91,000)</u>	
NET INCREASE IN CASH & CASH EQUIVALENTS	6,541	229	6,770	(91,000)	
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>38,488</u>	<u>51,421</u>	<u>89,909</u>	<u>180,909</u>	
CASH & CASH EQUIVALENTS AT END OF YEAR	<u>\$ 45,029</u>	<u>\$ 51,650</u>	<u>\$ 96,679</u>	<u>\$ 89,909</u>	

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Elkton (the Village) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Elkton.

Effective March 1, 2004, the Village implemented the provisions of GASB Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain significant changes in the statements include the following:

A Management Discussion & Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included in the financial statements.

Financial statements prepared using full accrual accounting for all of the Village’s activities, including infrastructure (roads, etc.).

A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

DESCRIPTION OF VILLAGE OPERATIONS AND FUND TYPES:

The Village of Elkton was organized in 1897 as a general law village with a fiscal year of March 1 through February 29. The Village operates under a Mayor-Council form of government. The Village provides various services to its residents including law enforcement, fire protection, community enrichment and human services. The Village provides ambulance service for the Village and the surrounding area. The Village contracts this service to other local units of government using the name Elkton Ambulance Service. The ambulance activity is reported in the Village financial statements as an Enterprise fund named Ambulance Fund.

REPORTING ENTITY:

In accordance with U.S. generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, these financial statements present the Village of Elkton (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The following is a description of the component units:

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Village of Elkton. There are six major funds reported on the government-wide financial statements.

The Statement of Net Assets presents the Village's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS:

Governmental funds include the following fund types:

General Fund:

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Village governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the Village.

Special Revenue Funds:

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Capital Projects Funds:

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

PROPRIETARY FUNDS:

Enterprise Funds:

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds:

These funds account for the financing of goods and services provided by one department or agency to other department or agencies of the governmental unit, or to other governmental units on a cost reimbursement basis or for the purchase of delinquent real property taxes from local units of government.

BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year-end. The budgeted revenues and expenditures for governmental fund types, include any authorized amendments to the original budget as adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Village does not utilize encumbrance accounting.

CASH AND INVESTMENTS:

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorize the Village to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 50% of any fund at any time. The Village is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

RECEIVABLES:

Receivables consist primarily of amounts for intergovernmental revenue and customer charges. An allowance for doubtful accounts has been established in those funds where it was determined to be necessary. Credit risk is minimal because of the large number of customers and the authority of the Village to add receivables to the tax rolls that are secured by the underlying property.

RESTRICTED ASSETS:

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, etc.) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Village of Elkton as assets with initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Any donated assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed or substantially rehabilitated since fiscal years ending after February 29, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions GASB 34. The Village has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets.

DEPRECIATION:

Depreciation is computed using the straight-line method. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Land/Land Improvements	0 - 50
Buildings	10 - 50
Bridges	50
Meters	13 - 20
Storm/Sewer lines	30 - 67
Sidewalks/Trailways	30
Water lines	50
Source of Supply	6 - 50
Motor Vehicles & Related Equipment	3 - 10
Machinery & Equipment	5 - 20
Roads	5 - 20
Parking lots	20
Traffic Signals	15

COMPENSATED ABSENCES:

It is the Village's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Village's service. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. A liability has been recorded in the Statement of Net Assets.

FUND EQUITY:

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Contributed capital currently exists only in the enterprise funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, the contributions are being amortized over the useful life of the assets they aided in constructing or purchasing.

PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of July 1. Taxes are levied on July 1 and are due in September. The Village bills and collects its own property taxes. Village tax revenues are recognized in the year of levy.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with U.S generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purposes.

ESTIMATES:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN:

DEFINED BENEFIT PENSION PLAN:

All Village of Elkton full-time employees participate in the Municipal Employees Retirement System ("System"), a multiple-employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2006 was \$98,130.

All full-time employees are eligible to participate in the System. Employees who retire at or after age 60 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1% of their final-average salary for each year of credited service up to 5 years. Final-average salary is the employee's salary over the last five years of credited service. Benefits fully vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute. Retirees will receive annual adjustments of 2% effective January 1, 2004 under the MERS Benefit Program E.

Covered employees are required by State statute to contribute 3% of their salary, up to \$4,200, and 5% thereafter, to the plan. The Village is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year ended December 31, 2006 was \$4,709, the entirety of which was from the employees.

GASB 25 AND GASB 27 INFORMATION

The following information has been prepared by the Gabriel Roeder Smith & Company (Actuaries) to provide the information necessary to comply with GASB Statements Number 25 and 27. Statement 25 is effective for fiscal years beginning after June 15, 1996 and Statement 27 is effective for fiscal years beginning after June 15, 1998.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 2 - PENSION PLANS/DEFERRED COMPENSATION PLAN(Continued):

DEFINED BENEFIT PENSION PLAN(Continued):

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$205,990
Terminated employees not yet receiving benefits	99,745
Current employees-	
Accumulated employee contributions including	
allocated investment income	72,637
Employer financed	<u>108,618</u>
Total Actuarial Accrued Liability	486,990
Net Assets Available for Benefits at Actuarial Value	<u>463,901</u>
(Market Value is \$451,676)	
Underfunded (Overfunded) Actuarial Accrued Liability	23,089

GASB 27 INFORMATION (as of 12/31/05)

Fiscal Year Beginning	March 1, 2007
Annual Required Contribution (ARC)	\$ 11,400
Amortization Factor Used	0.085453

DEFINED CONTRIBUTION PENSION PLAN:

On February 12, 2002 the Village council adopted a 401A Defined Contribution Plan ("Plan") for the Village employees that was effective September 20, 2002. At February 28, 2007, there were three plan members. Plan members are required to contribute 5% of covered salary. The Village is required to contribute 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Village Council.

BASIS OF ACCOUNTING

The financial statements of the 401A Defined Contribution Plan for the Village of Elkton are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period that the contributions are due.

VALUATION OF INVESTMENTS

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

Mutual fund investments of \$102,073 were held at December 31, 2006.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 3 - SEGMENT INFORMATION:

The Village maintains two enterprise funds that provide ambulance and water and sewer services. Segment information for the year ended February 28, 2007, is as follows:

	<u>AMBULANCE</u>	<u>WATER & SEWER</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Operating revenue	\$95,068	\$150,687	\$245,755
Depreciation & Amortization expense	8,756	30,576	39,332
Operating income (loss)	2,796	(39,969)	(37,173)
Net income	4,015	(39,740)	(35,725)
Property, plant & equipment:			
Additions			
Net working capital (deficit)	97,288	(145,784)	(48,496)
Total identifiable assets	243,570	1,822,322	2,065,892
Total equity	112,045	703,349	815,394

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>FUND</u>	<u>INTERFUND PAYABLE</u>
General	\$ 637,833	General	\$ 359,440
Special Revenue	15,500	Special Revenue	196,281
Capital Projects	20,125	Enterprise	<u>585,138</u>
Enterprise	437,376		
Perpetual Care	<u>30,025</u>		
TOTAL	<u>\$1,140,859</u>		<u>\$1,140,859</u>

The outstanding balances between the funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 5 – INTERFUND TRANSFERS:

Transfers were made between funds to subsidize operations. Interfund transfers for the year ended February 28, 2007, consisted of the following amounts:

		TRANSFERS FROM							
		<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water & Sewer</u>	<u>Capital Project</u>	<u>Lagoon</u>	<u>Equip-ment</u>	<u>Total</u>
TRANSFERS TO	General Fund								
	Major Streets								
	Local Streets		\$10,500						\$10,500
	Water & Sewer								-
	Capital Project								
	Lagoon				\$10,000				\$10,000
	Equipment	\$20,000							\$20,000
Total		<u>\$20,000</u>	<u>\$10,500</u>		<u>\$10,000</u>				<u>\$40,500</u>

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 6 - CASH:

DEPOSITS:

At year-end, the carrying amount of the Village's deposits was \$1,100,953 and the bank balance was \$1,101,453. Of the bank balance, \$281,948 was covered by federal depository insurance with the remaining balance uninsured and uncollateralized.

Not all disclosures required by GASB 40 are reported.

NOTE 7 - CONTRIBUTED CAPITAL AND CONTRIBUTIONS IN AID OF CONSTRUCTION:

Contributed capital currently exists only in the Enterprise Funds. This capital has been used along with other Village resources to purchase or construct the water and sewer systems currently in use or still in construction within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital and contributions in aid of construction rather than retained earnings.

NOTE 8 - CAPITAL ASSET SUMMARY:

A summary of proprietary fund type and governmental activities property, plant, and equipment at February 28, 2007 is as follows:

	<u>AMBULANCE FUND</u>	<u>WATER & SEWER FUND</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL</u>
Land		\$ 208,304		\$ 208,304
Buildings			\$ 459,000	459,000
Police			81,061	81,061
DPW			243,705	243,705
Parks			55,000	55,000
Major & Local Streets			837,221	837,221
Equipment	\$ 28,650		25,400	54,050
Ambulance	76,390			76,390
Sewer line		623,694		623,694
Water line		1,165,154		1,165,154
Water tower		122,045		122,045
Lagoon system	-	219,506	-	219,506
Total Costs	105,040	2,338,703	1,701,387	4,145,130
Less Accumulated Depreciation	<u>(90,280)</u>	<u>(833,152)</u>	<u>(825,281)</u>	<u>(1,748,713)</u>
Net Carrying Amount	<u>\$14,760</u>	<u>\$1,505,551</u>	<u>\$ 876,106</u>	<u>\$2,396,417</u>

All depreciation is computed using the straight-line method. Depreciation expense amounted to \$95,159 for the year ended February 28, 2007.

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 9 - LEGAL COMPLIANCE - BUDGETS:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to February 28 of each year, a proposed budget is submitted to the Council for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund and special revenue funds.
6. Budgets for general, special revenue and debt service funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Village Council during the fiscal year. Individual amendments were not material in relation to the original appropriations that were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 10 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

NOTE 11 - LONG TERM DEBT:

The Village issues bonds to provide funds for the acquisition, construction and improvements of major facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Long-term obligations currently outstanding are as follows:

2004 Drinking Water Revolving Bonds (face amount \$835,000) with annual installment payments ranging from \$30,000 - \$50,000 with interest at 2.125%.	<u>\$656,418</u>
Total bonded debt	\$656,418
Accumulated compensated absences	<u>24,107</u>
Total long-term debt	<u>\$680,525</u>

VILLAGE OF ELKTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2007

NOTE 11 - LONG-TERM DEBT (Continued):

The annual requirements to amortize long-term debt outstanding as of February 2007 are as follows:

<u>YEAR ENDED</u> <u>FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	\$30,000	\$13,948	\$43,948
2009	30,000	13,312	43,312
2010	35,000	12,674	47,674
2011	35,000	11,930	46,930
2012	35,000	11,186	46,186
2013	35,000	10,442	45,442
2014	35,000	9,698	44,698
2015	35,000	8,956	43,956
2016	40,000	8,212	48,212
2017	40,000	7,362	47,362
2018	40,000	6,512	46,512
2019	40,000	5,662	45,662
2020	40,000	4,812	44,812
2021	40,000	3,962	43,962
2022	50,000	3,112	53,112
2023	50,000	2,048	52,048
2024	<u>46,418</u>	<u>986</u>	<u>47,404</u>
Total	\$656,418	\$134,814	\$791,232
Compensated Absences	<u>24,107</u>		<u>24,107</u>
TOTAL	<u>\$680,525</u>	<u>\$134,814</u>	<u>\$815,339</u>

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	BUDGET			VARIANCE -
	ORIGINAL	FINAL	ACTUAL	FAVORABLE
				(UNFAVORABLE)
REVENUES:				
Taxes	\$ 308,050	\$ 362,989	\$ 315,307	\$ (47,682)
Intergovernmental	100,000	100,093	99,674	(419)
Charges for services	67,536	72,023	72,023	-
Police	41,650	44,683	44,683	-
Miscellaneous	26,243	36,819	38,049	1,230
TOTAL REVENUES	543,479	616,607	569,736	(46,871)
EXPENDITURES:				
Election	-	-	-	-
Administration	95,748	105,200	105,330	(130)
Cemetery	12,477	14,310	14,310	-
Village buildings and grounds	32,442	29,995	29,995	-
Police	179,498	166,994	166,993	1
Public works	134,289	129,436	126,436	3,000
Recreation	38,385	34,303	34,303	-
Equipment	51,935	48,866	48,866	-
TOTAL EXPENDITURES	544,774	529,104	526,233	2,871
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES	(1,295)	87,503	43,503	(44,000)
OTHER FINANCING SOURCES (USES):				
Transfers in				-
Transfers out		(20,000)	(20,000)	-
TOTAL OTHER FINANCING SOURCES (USES):	-	(20,000)	(20,000)	-
EXCESS OF REVENUE & OTHER SOURCES				
OVER (UNDER) EXPENDITURES AND				
OTHER USES	(1,295)	67,503	23,503	(44,000)
FUND BALANCE - MARCH 1	638,328	638,328	638,328	-
FUND BALANCE - FEBRUARY 28	\$ 637,033	\$ 705,831	\$ 661,831	\$ (44,000)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Intergovernmental revenue:				
Gas & weight tax	\$ 46,000	\$ 43,977	\$ 43,895	\$ (82)
Interest and other	400	2,750	2,750	-
TOTAL REVENUE	<u>46,400</u>	<u>46,727</u>	<u>46,645</u>	<u>(82)</u>
EXPENDITURES:				
Routine maintenance	7,960	16,659	21,627	(4,968)
Traffic services	3,074	3,028	3,028	-
Snow & ice controls	11,660	4,932	4,932	-
Administrative	7,660	8,983	7,823	1,160
TOTAL EXPENDITURES	<u>30,354</u>	<u>33,602</u>	<u>37,410</u>	<u>(3,808)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		-	-	-
Operating transfers out	(10,500)	-	(10,500)	(10,500)
	<u>(10,500)</u>	<u>-</u>	<u>(10,500)</u>	<u>(10,500)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>5,546</u>	<u>13,125</u>	<u>(1,265)</u>	<u>(14,390)</u>
FUND BALANCE - MARCH 1	<u>79,766</u>	<u>79,766</u>	<u>79,766</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 85,312</u>	<u>\$ 92,891</u>	<u>\$ 78,501</u>	<u>\$ (14,390)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Tax levy	\$72,500	\$ 73,921	\$ 73,921	\$ -
Intergovernmental revenue:				
Gas & weight tax	16,000	15,711	15,680	(31)
Interest and other	750	6,137	6,139	2
TOTAL REVENUE	89,250	95,769	95,740	(29)
EXPENDITURES:				
Construction	93,410	91,850	96,714	(4,864)
Routine maintenance	11,550	10,784	10,784	-
Traffic maintenance	916	211	211	-
Snow & ice controls	7,160	3,721	3,721	-
Administrative	7,180	7,403	6,823	580
TOTAL EXPENDITURES	120,216	113,969	118,253	(4,284)
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(30,966)	(18,200)	(22,513)	(4,313)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	10,500	10,500	10,500	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	(20,466)	(7,700)	(12,013)	(4,313)
FUND BALANCE - MARCH 1	218,653	218,653	218,653	-
FUND BALANCE - FEBRUARY 28	\$ 198,187	\$ 210,953	\$ 206,640	\$ (4,313)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	BUDGET		ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUE:				
Ambulance calls	\$ 71,000	\$ 78,426	\$ 78,426	\$ -
Miscellaneous	16,861	16,640	16,642	2
TOTAL REVENUE	87,861	95,066	95,068	2
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	29,760	30,556	30,556	-
Employee benefits	5,357	5,662	5,662	-
Operating supplies	6,900	7,536	7,536	-
General fund administrative fee	1,000	1,000	1,000	-
Professional fees	8,250	6,365	6,365	-
Telephone	300	421	420	1
Insurance	5,127	5,823	5,823	-
Repairs & maintenance	2,000	1,591	2,622	(1,031)
Advertising	150	133	133	-
Depreciation	-	-	8,756	(8,756)
Education & training	2,300	3,456	3,456	-
Capital outlay	800	1,016	1,016	-
Miscellaneous	22,200	23,140	18,927	4,213
Total Operating Expenses	84,144	86,699	92,272	(5,573)
OPERATING INCOME (LOSS)	3,717	8,367	2,796	(5,571)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned	-	1,219	1,219	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	500	1,219	1,219	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	4,217	9,586	4,015	(5,571)
OPERATING TRANSFERS IN (OUT)	-	-	-	-
NET INCOME (LOSS)	4,217	9,586	4,015	(5,571)
RETAINED EARNINGS - MARCH 1	61,299	61,299	61,299	-
RETAINED EARNINGS - FEBRUARY 28	\$ 65,516	\$ 70,885	\$ 65,314	\$ (5,571)

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	BUDGET			VARIANCE- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Water & sewer system sales	\$ 89,500	\$ 97,134	\$ 97,135	\$ 1
Other services, charges & sales	52,800	4,772	4,772	-
Special Assessments	-	45,195	45,195	-
Interest & penalties	2,300	3,585	3,585	-
TOTAL REVENUE	144,600	150,686	150,687	1
EXPENDITURES:				
Operating Expenses:				
Salaries & wages	16,000	16,336	16,338	(2)
Employee benefits	9,280	9,528	9,528	-
Operating supplies	4,950	6,621	6,621	-
General fund administrative fee	3,000	3,000	3,000	-
Professional fees	1,000	7,199	7,199	-
Contracted services	1,452	5,488	2,845	2,643
Telephone	600	574	574	-
Insurance	9,000	5,823	5,823	-
Heat, light & power	8,000	8,558	8,558	-
Repairs & maintenance	57,750	70,527	70,527	-
Bond interest	7,300	14,588	14,588	-
Depreciation	-	-	30,576	(30,576)
Equipment rental	3,000	7,682	7,682	-
Dues & subscriptions	500	500	500	-
Education & training	500	391	391	-
Capital outlay	38,000	16,269	590	15,679
Miscellaneous	21,000	5,316	5,316	-
Total Operating Expenses	181,332	178,400	190,656	(12,256)
OPERATING INCOME (LOSS)	(36,732)	(27,714)	(39,969)	(12,255)
NON-OPERATING REVENUE (EXPENSES)				
Interest earned		229	229	-
TOTAL NON-OPERATING REVENUE (EXPENSES)	53	229	229	-
INCOME (LOSS) BEFORE OPERATING TRANSFERS IN (OUT)	(36,679)	(27,485)	(39,740)	(12,255)
OPERATING TRANSFERS IN (OUT)	(10,000)	(55,195)	(10,000)	(45,195)
NET INCOME (LOSS)	(46,679)	(82,680)	(49,740)	32,940
RETAINED EARNINGS - MARCH 1	643,255	643,255	643,255	-
RETAINED EARNINGS - FEBRUARY 28	\$ 596,576	\$ 560,575	\$ 593,515	\$ 32,940

See the accompanying notes.

ADDITIONAL INFORMATION

VILLAGE OF ELKTON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
February 28, 2007

	<u>CAPITAL PROJECT</u>	<u>PERPETUAL CARE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 95,956	\$ 26,623	\$ 122,579
Due from other funds	15,000	15,025	30,025
<u>TOTAL ASSETS</u>	<u>\$ 110,956</u>	<u>\$ 41,648</u>	<u>\$ 152,604</u>
<u>LIABILITIES & FUND BALANCES</u>			
Liabilities:			
Due to other funds	-	-	-
Total Liabilities	-	-	-
Fund Balances:			
Reserved for:			
Debt service			-
Designated	\$ 110,956	\$ 41,648	\$ 152,604
Total Fund Balances	110,956	41,648	152,604
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 110,956</u>	<u>\$ 41,648</u>	<u>\$ 152,604</u>

See the accompanying notes.

VILLAGE OF ELKTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 28, 2007

	CAPITAL PROJECT FUND	PERPETUAL CARE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES:			
Interest Income	\$ 3,140	\$ 959	\$ 4,099
Miscellaneous	-		-
Sale of Lots		10,525	10,525
TOTAL REVENUE	<u>3,140</u>	<u>11,484</u>	<u>14,624</u>
EXPENDITURES:			
Miscellaneous			
Debt Service:			
Principal			-
Interest			-
TOTAL EXPENDITURES	-		-
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>3,140</u>	<u>11,484</u>	<u>14,624</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	<u>10,000</u>		<u>10,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	10,000		10,000
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>13,140</u>	<u>11,484</u>	<u>24,624</u>
FUND BALANCE - MARCH 1	<u>97,816</u>	<u>30,164</u>	<u>127,980</u>
FUND BALANCE - FEBRUARY 29	<u><u>\$ 110,956</u></u>	<u><u>\$ 41,648</u></u>	<u><u>\$ 152,604</u></u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>2007</u>			<u>2006</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>	<u>ACTUAL</u>
REVENUES:				
Taxes	\$ 362,989	\$ 315,307	\$ (47,682)	\$ 307,947
Intergovernmental	100,093	99,674	(419)	100,476
Charges for services	72,023	72,023	-	68,768
Police	44,683	44,683	-	7,818
Miscellaneous	36,819	38,049	1,230	44,928
TOTAL REVENUES	<u>616,607</u>	<u>569,736</u>	<u>46,871</u>	<u>529,937</u>
EXPENDITURES:				
Election	-	-	-	638
Administration	105,200	105,330	(130)	95,674
Cemetery	14,310	14,310	-	10,662
Village buildings and grounds	29,995	29,995	-	24,303
Police	166,994	166,993	1	129,311
Public works	129,436	126,436	3,000	137,197
Recreation	34,303	34,303	-	29,842
Equipment	48,866	48,866	-	34,834
TOTAL EXPENDITURES	<u>529,104</u>	<u>526,233</u>	<u>2,871</u>	<u>462,461</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>87,503</u>	<u>43,503</u>	<u>(44,000)</u>	<u>67,476</u>
OTHER FINANCING SOURCES (USES):				
Transfers in			-	
Transfers out	(20,000)	(20,000)	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES):	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(15,000)</u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>67,503</u>	<u>23,503</u>	<u>(44,000)</u>	<u>52,476</u>
FUND BALANCE - MARCH 1	<u>638,328</u>	<u>638,328</u>	<u>-</u>	<u>585,852</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 705,831</u>	<u>\$ 661,831</u>	<u>\$ (44,000)</u>	<u>\$ 638,328</u>

See the accompanying notes.

**VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTALS FEBRUARY 28, 2007</u>	<u>2006</u>
<u>ASSETS</u>				
Cash	\$ 186,263	\$ 278,627	\$ 464,890	\$ 404,433
Due from other funds		15,500	15,500	5,000
Due from other units	<u>7,927</u>	<u>2,831</u>	<u>10,758</u>	<u>10,871</u>
TOTAL ASSETS	<u>\$ 194,190</u>	<u>\$ 296,958</u>	<u>\$ 491,148</u>	<u>\$ 420,304</u>
 <u>LIABILITIES & FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 4,863	\$ 4,863	\$ 9,726	\$ -
Due to other units	<u>110,826</u>	<u>85,455</u>	<u>196,281</u>	<u>121,885</u>
Total Liabilities	115,689	90,318	206,007	121,885
Fund equity:				
Fund balance:				
Undesignated	<u>78,501</u>	<u>206,640</u>	<u>285,141</u>	<u>298,419</u>
Total Fund Equity	<u>78,501</u>	<u>206,640</u>	<u>285,141</u>	<u>298,419</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 194,190</u>	<u>\$ 296,958</u>	<u>\$ 491,148</u>	<u>\$ 420,304</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>TOTALS</u>	
			<u>2007</u>	<u>2006</u>
REVENUE:				
Taxes		\$ 73,921	\$ 73,921	\$ 71,810
Intergovernmental revenue	\$ 43,895	15,680	59,575	60,246
Miscellaneous	2,750	6,139	8,889	8,375
	<u>46,645</u>	<u>95,740</u>	<u>142,385</u>	<u>140,431</u>
TOTAL REVENUE				
EXPENDITURES:				
Streets	29,587	111,430	141,017	94,200
Administration	7,823	6,823	14,646	12,704
	<u>37,410</u>	<u>118,253</u>	<u>155,663</u>	<u>106,904</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>9,235</u>	<u>(22,513)</u>	<u>(13,278)</u>	<u>33,527</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	10,500	10,500	10,300
Operating transfers out	(10,500)	-	(10,500)	(10,300)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>(1,265)</u>	<u>(12,013)</u>	<u>(13,278)</u>	<u>33,527</u>
FUND BALANCE - MARCH 1	<u>79,766</u>	<u>218,653</u>	<u>298,419</u>	<u>264,892</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 78,501</u>	<u>\$ 206,640</u>	<u>\$ 285,141</u>	<u>\$ 298,419</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Intergovernmental revenue:			
Gas & weight tax	\$ 43,977	\$ 43,895	\$ (82)
Interest and other	2,750	2,750	-
TOTAL REVENUE	<u>46,727</u>	<u>46,645</u>	<u>(82)</u>
EXPENDITURES:			
Routine maintenance	16,659	21,627	(4,968)
Traffic services	3,028	3,028	-
Snow & ice controls	4,932	4,932	-
Administrative	8,983	7,823	1,160
TOTAL EXPENDITURES	<u>33,602</u>	<u>37,410</u>	<u>(3,808)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers out	-	(10,500)	(10,500)
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	<u>13,125</u>	<u>(1,265)</u>	<u>(6,774)</u>
FUND BALANCE - MARCH 1	<u>79,766</u>	<u>79,766</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 92,891</u>	<u>\$ 78,501</u>	<u>\$ (14,390)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Tax levy	\$ 73,921	\$ 73,921	-
Intergovernmental revenue:			
Gas & weight tax	15,711	15,680	\$ (31)
Interest and other	6,137	6,139	2
TOTAL REVENUE	<u>95,769</u>	<u>95,740</u>	<u>(29)</u>
EXPENDITURES:			
Construction	91,850	96,714	(4,864)
Routine maintenance	10,784	10,784	-
Traffic maintenance	211	211	-
Snow & ice controls	3,721	3,721	-
Administrative	7,403	6,823	580
TOTAL EXPENDITURES	<u>113,969</u>	<u>118,253</u>	<u>(4,284)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(18,200)</u>	<u>(22,513)</u>	<u>(4,313)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,500	10,500	-
EXCESS OF REVENUE & OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(7,700)</u>	<u>(12,013)</u>	<u>(4,313)</u>
FUND BALANCE - MARCH 1	<u>218,653</u>	<u>218,653</u>	<u>-</u>
FUND BALANCE - FEBRUARY 28	<u>\$ 210,953</u>	<u>\$ 206,640</u>	<u>\$ (4,313)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUE
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Taxes:			
Current property tax	\$ 359,399	\$ 311,717	\$ (47,682)
Tax collection fees	3,590	3,590	-
Total Taxes	<u>362,989</u>	<u>315,307</u>	<u>(47,682)</u>
Intergovernmental Revenue:			
State of Michigan			
State revenue sharing	<u>100,093</u>	<u>99,674</u>	<u>(419)</u>
Total Intergovernmental Revenue	<u>100,093</u>	<u>99,674</u>	<u>(419)</u>
Charges For Services:			
Cemetery	6,675	6,675	-
Public Works	42,441	42,441	-
Equipment Department			
Major Street Fund	7,001	6,908	(93)
Local Street Fund	8,224	8,317	93
Water and Sewer Fund	<u>7,682</u>	<u>7,682</u>	<u>-</u>
Total Charges For Services	<u>72,023</u>	<u>72,023</u>	<u>-</u>
Police	<u>44,683</u>	<u>44,683</u>	<u>-</u>
Miscellaneous Revenue:			
Building and property rental	9,303	9,303	-
Interest income	12,884	12,884	-
Cable TV franchise fees	3,664	1,757	(1,907)
Sale of Assets	292	167	(125)
Fines	-	-	-
Administration fees	7,080	7,080	-
Refunds and other	<u>3,596</u>	<u>6,858</u>	<u>3,262</u>
Total Miscellaneous Revenue	<u>36,819</u>	<u>38,049</u>	<u>1,230</u>
TOTAL REVENUE	<u><u>\$ 616,607</u></u>	<u><u>\$ 569,736</u></u>	<u><u>\$ (46,871)</u></u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Election:			
Election salaries	-	-	-
Supplies	-	-	-
Total Election	-	-	-
Administrative:			
Salaries	\$ 39,543	\$ 39,544	\$ (1)
Employees social security	19,807	19,806	1
BCBS employee insurance	67,900	67,900	-
Holiday pay	6,606	6,606	-
MERS fund contribution	10,558	10,558	-
MESC contribution	-	-	-
Employee benefits	17,525	17,655	(130)
Bereavement, Sick, Personal and Vacation pay	21,882	21,882	-
Fringe benefits	(111,291)	(111,291)	-
PO Box reimbursements	-	-	-
Postage	824	824	-
Office supplies	146	146	-
Printing	464	464	-
Operating supplies	940	940	-
Audit fee	3,000	3,000	-
Tax roll fees	656	656	-
Contracted services	1,436	1,436	-
Legal fees	1,461	1,461	-
Telephone / Internet	2,773	2,773	-
Training/Education	1,344	1,344	-
Mileage	319	319	-
Public relations	3,327	3,327	-
Publishing	1,582	1,582	-
Insurance & Bonds	6,719	6,719	-
Membership dues	1,087	1,087	-
Drug task donation	500	500	-
Miscellaneous	4,115	4,115	-
Capital outlay	1,977	1,977	-
Total Administration	105,200	105,330	(130)

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Village Buildings & Grounds:			
Salaries	\$ 5,695	\$ 5,695	-
Employee benefits	3,303	3,303	-
Custodial supplies	446	446	-
Property rent - CSX R/R	540	540	-
Insurance	5,823	5,823	-
Contracted services	3,126	3,126	-
Repairs and maintenance	2,708	2,708	-
Electricity	3,912	3,912	-
Heat	3,716	3,716	-
Miscellaneous	148	148	-
Capital outlay	578	578	-
	<u>29,995</u>	<u>29,995</u>	<u>-</u>
Total Village Buildings & Grounds			
Police Department:			
Salaries	70,229	70,229	-
Employee benefits	38,246	38,246	-
Supplies	1,316	1,316	-
Legal fees	5,398	5,398	-
Uniforms and cleaning	1,715	1,715	-
Telephone / Internet	1,401	1,400	\$ 1
Police car maintenance	3,256	3,256	-
Equipment maintenance	513	513	-
Gas and oil	3,333	3,333	-
Insurance	4,066	4,066	-
Membership dues	100	100	-
Miscellaneous	301	301	-
Capital outlay	35,563	35,563	-
Training and other	1,557	1,557	-
	<u>166,994</u>	<u>166,993</u>	<u>1</u>
Total Police Department			

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Cemetery:			
Salaries	\$ 2,272	\$ 2,272	-
Employee benefits	1,318	1,318	-
Supplies	523	523	-
Contracted service	4,127	4,127	-
Insurance	5,823	5,823	-
Equipment and Repair	247	247	-
Capital outlay	-	-	-
Total Cemetery	<u>14,310</u>	<u>14,310</u>	<u>-</u>
Public Works Department:			
Salaries	34,900	34,900	-
Employee benefits	20,242	20,242	-
Tools and supplies	2,008	2,008	-
Uniforms	1,170	1,170	-
Contracted services	42,560	42,560	-
Holiday decorations	(330)	(330)	-
Public relations	109	109	-
Insurance	5,823	5,823	-
Storm drain maintenance	-	-	-
Street lighting	17,582	17,582	-
Sidewalk and parking maintenance	895	895	-
Tree maintenance	1,189	1,189	-
Seeding/Planting supplies	-	-	-
Radios/Pager	-	-	-
CDL fees/dues	223	223	-
Water/Sewer fee	3,000	-	\$ 3,000
Miscellaneous	65	65	-
Total Public Works Department	<u>129,436</u>	<u>126,436</u>	<u>3,000</u>
Recreation Department:			
Salaries	8,267	8,267	-
Employee benefits	3,991	3,991	-
Supplies	1,374	1,374	-
Contracted services	7,275	7,275	-
Insurance	5,823	5,823	-
Repairs and Maintenance	4,199	4,199	-
Park lighting	3,200	3,200	-
Capital outlay	174	174	-
Total Recreation Department	<u>34,303</u>	<u>34,303</u>	<u>-</u>

(Continued)

VILLAGE OF ELKTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES, (Continued):			
Equipment Department			
Salaries	\$ 12,774	\$ 12,774	-
Employee benefits	7,409	7,409	-
Tools & supplies	1,427	1,427	-
Repairs	5,331	5,331	-
Outside labor and repair	10,398	10,398	-
Gas and oil	5,384	5,384	-
Insurance	5,823	5,823	-
Miscellaneous	120	120	-
Capital outlay	200	200	-
	<u>48,866</u>	<u>48,866</u>	<u>-</u>
Total Equipment Department			
	<u>48,866</u>	<u>48,866</u>	<u>-</u>
TOTAL EXPENDITURES	<u>529,104</u>	<u>526,233</u>	<u>\$ 2,871</u>
OTHER FINANCING USES:			
Operating transfers out	<u>20,000</u>	<u>20,000</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 549,104</u>	<u>\$ 546,233</u>	<u>\$ 2,871</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
AMBULANCE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE 2007</u>
REVENUE:			
Ambulance calls	\$ 78,426	\$ 78,426	-
Interest income	1,219	1,219	-
Miscellaneous	<u>16,640</u>	<u>16,642</u>	<u>\$ 2</u>
TOTAL REVENUE	<u>96,285</u>	<u>96,287</u>	<u>2</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	30,556	30,556	-
Employee benefits	5,662	5,662	-
Operating supplies	7,536	7,536	-
General fund administrative fee	1,000	1,000	-
Professional fees	6,365	6,365	-
Telephone / Internet	421	420	1
Insurance	5,823	5,823	-
Repairs & maintenance	1,591	2,622	(1,031)
Advertising	133	133	-
Depreciation	-	8,756	(8,756)
Education & training	3,456	3,456	-
Capital outlay	1,016	1,016	-
Miscellaneous	<u>23,140</u>	<u>18,927</u>	<u>4,213</u>
Total Operating Expenses	<u>86,699</u>	<u>92,272</u>	<u>(5,573)</u>
TOTAL EXPENDITURES	<u>\$ 86,699</u>	<u>\$ 92,272</u>	<u>\$ (5,573)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE:			
Water & sewer system sales	\$ 97,134	\$ 97,135	\$ 1
Other services, charges & sales	4,772	4,772	-
Special assessments	45,195	45,195	-
Interest & penalties	3,585	3,585	-
Interest income	229	229	-
	<u>150,915</u>	<u>150,916</u>	<u>1</u>
TOTAL REVENUE	<u>150,915</u>	<u>150,916</u>	<u>1</u>
EXPENDITURES:			
Operating Expenses:			
Salaries & wages	16,336	16,338	(2)
Employee benefits	9,528	9,528	-
Operating supplies	6,621	6,621	-
General fund administrative fee	3,000	3,000	-
Professional fees	7,199	7,199	-
Contracted services	5,488	2,845	2,643
Telephone	574	574	-
Insurance	5,823	5,823	-
Heat, light & power	8,558	8,558	-
Repairs & maintenance	70,527	70,527	-
Bond interest	14,588	14,588	-
Depreciation	-	30,576	(30,576)
Equipment rental	7,682	7,682	-
Dues & subscriptions	500	500	-
Education & training	391	391	-
Capital outlay	16,269	590	15,679
Miscellaneous	5,316	5,316	-
Transfer to other funds	10,000	10,000	-
	<u>188,400</u>	<u>200,656</u>	<u>(12,256)</u>
Total Operating Expenses	<u>188,400</u>	<u>200,656</u>	<u>(12,256)</u>
TOTAL EXPENDITURES	<u>\$ 188,400</u>	<u>\$ 200,656</u>	<u>\$ (12,256)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
MAJOR STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Routine Maintenance:			
Labor	\$ 2,070	\$ 2,070	-
Employee benefits	1,201	1,201	-
Materials and supplies	9,143	14,111	\$ (4,968)
Equipment rental	4,245	4,245	-
Total Routine Maintenance	<u>16,659</u>	<u>21,627</u>	<u>(4,968)</u>
Traffic Maintenance:			
Labor	150	150	-
Employee benefits	87	87	-
Supplies	2,624	2,624	-
Equipment rental	167	167	-
Total Traffic Maintenance	<u>3,028</u>	<u>3,028</u>	<u>-</u>
Snow & Ice Control:			
Labor	1,130	1,130	-
Employee benefits	708	708	-
Snow removal supplies	411	411	-
Equipment rental	2,683	2,683	-
Total Snow & Ice Control	<u>4,932</u>	<u>4,932</u>	<u>-</u>
Administrative:			
Employee benefits	1,160	-	1,160
General fund	2,000	2,000	-
Insurance	5,823	5,823	-
Total Administrative	<u>8,983</u>	<u>7,823</u>	<u>1,160</u>
TOTAL EXPENDITURES	<u>\$ 33,602</u>	<u>\$ 37,410</u>	<u>\$ (3,808)</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
LOCAL STREET FUNDS
SCHEDULE OF EXPENDITURES
YEAR ENDED FEBRUARY 28, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Construction:			
Labor	-	-	-
Employee benefits	-	-	-
Materials and supplies	\$ 91,850	\$ 96,714	\$ (4,864)
Equipment rental	-	-	-
Total Construction	<u>91,850</u>	<u>96,714</u>	<u>(4,864)</u>
Routine Maintenance:			
Labor	2,795	2,795	-
Employee benefits	1,621	1,621	-
Materials and supplies	240	240	-
Equipment rental	6,128	6,128	-
Total Routine Maintenance	<u>10,784</u>	<u>10,784</u>	<u>-</u>
Traffic Maintenance:			
Labor	43	43	-
Employee benefits	25	25	-
Materials and supplies	24	24	-
Equipment rental	119	119	-
Total Traffic Maintenance	<u>211</u>	<u>211</u>	<u>-</u>
Snow & Ice Control:			
Labor	791	791	-
Employee benefits	459	459	-
Snow removal supplies	587	587	-
Equipment rental	1,884	1,884	-
Total Snow & Ice Control	<u>3,721</u>	<u>3,721</u>	<u>-</u>
Administrative:			
Employee benefits	580	-	580
General fund	1,000	1,000	-
Insurance	5,823	5,823	-
Total Administrative	<u>7,403</u>	<u>6,823</u>	<u>580</u>
TOTAL EXPENDITURES	<u>\$ 113,969</u>	<u>\$ 118,253</u>	<u>\$ (4,284)</u>

See the accompanying notes.

VILLAGE OF ELKTON
SCHEDULE OF BONDED DEBT
2004 DEBT RETIREMENT FUND
February 28, 2007

<u>PRINCIPAL DUE OCTOBER 1</u>	<u>INTEREST DUE</u>	<u>INTEREST DUE</u>	<u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u>	
	<u>APRIL 1</u>	<u>OCTOBER 1</u>	<u>FEBRUARY 28</u>	<u>AMOUNT</u>
\$ 30,000	\$ 6,974	\$ 6,974	2008	\$ 43,948
30,000	6,656	6,656	2009	43,312
35,000	6,337	6,337	2010	47,674
35,000	5,965	5,965	2011	46,930
35,000	5,593	5,593	2012	46,186
35,000	5,221	5,221	2013	45,442
35,000	4,849	4,849	2014	44,698
35,000	4,478	4,478	2015	43,956
40,000	4,106	4,106	2016	48,212
40,000	3,681	3,681	2017	47,362
40,000	3,256	3,256	2018	46,512
40,000	2,831	2,831	2019	45,662
40,000	2,406	2,406	2020	44,812
40,000	1,981	1,981	2021	43,962
50,000	1,556	1,556	2022	53,112
50,000	1,024	1,024	2023	52,048
46,418	493	493	2024	47,404
<u>\$ 656,418</u>	<u>\$ 67,407</u>	<u>\$ 67,407</u>		<u>\$ 791,232</u>

See the accompanying notes.

VILLAGE OF ELKTON, MICHIGAN
PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY (AAL) - ENTRY AGE</u>	<u>UNFUNDED AAL (UAAL)</u>	<u>FUNDED RATIO</u>
December 31, 2001	\$ 491,009	\$ 449,369	\$ 41,640	109.27%
December 31, 2002	\$ 437,906	\$ 422,727	\$ 15,179	103.59%
December 31, 2003	\$ 445,438	\$ 436,586	\$ 8,852	102.03%
December 31, 2004	\$ 453,870	\$ 461,826	\$ (7,956)	98.28%
December 31, 2005	\$ 463,901	\$ 486,990	\$ (23,089)	95.26%

See the accompanying notes.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

April 20, 2007

To the Board of the Village of Elkton

In planning and performing our audit of the financial statements of Village of Elkton as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Elkton's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Village of Elkton, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Village, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

This communication is intended solely for the information and use of management, Village of Elkton, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants